Industry Sector Analysis

Growth, Core, and Competitive-Advantage Industries

Northeast Michigan

Alcona, Alpena, Cheboygan, Crawford, Montmorency, Oscoda, Otsego, and Presque Isle Counties

A Regional Profile
Prepared by:

Michigan Department of Labor & Economic Growth
Bureau of Labor Market Information and Strategic Initiatives

Introduction

Information is a key to the creation of a 21st century workforce. Developing a successful regional strategy requires a clear understanding of the scope of the regional economy, as well as the ability to identify key industries or clusters of industries with real significance to the regional economy.

The Bureau of Labor Market Information & Strategic Initiatives within the Department of Labor & Economic Growth produces a substantial volume of data on local economies and regional labor markets. This profile provides information on current labor market economic indicators and key industries for the local region.

Current Labor Market Indicators and Industry Job Trends

Page 4 of the profile presents information on **Current Labor Market Indicators**. This table compares regional performance with state and national trends and includes the current jobless rate, per capita income, and the average weekly wage for private sector industries. The rate of change is calculated over the past two years for population and labor force as well as the growth rate for private industry jobs. Also provided in the table is the expected ten-year forecast growth rate for jobs in all industries. These indicators provide some of the necessary information to evaluate the overall performance of the regional economy as it compares to the state and national economy.

Industry Job Trends on Page 5 is a chart containing the two-year growth rate in employment for several major industry sectors. This allows a comparison of the pace of local job gains with Michigan, and quickly identifies local industry sectors with recent job gains or losses. **Industry Job Distribution**, a chart on Page 6, presents the percent distribution of jobs in each of the major industry sectors. This is important because the share of jobs by industry is a key determinant of overall income in a region. Large shares of jobs in high wage sectors will produce an above average income stream for a region. Additionally, these shares help demonstrate the diversity of a regional economy. The chart gives a quick identification of local industries with job shares above or below statewide averages.

Profile of Regional Industries

Various regional and national indicators were used to sort the local area's detailed industries into five distinct categories: growth, declining, core, developing, and competitive-advantage industries. A description of each element follows.

The table of **Growth Industries** presents regional industries with faster than average employment gains since 2004. The **Declining Industries** table lists regional industries with declining employment.

Core Industries identify industries with a higher share of jobs in the local economy than the same industry produces in the national economy. If a region has a greater than average share of jobs in a given industry, that industry may be a core sector because it is generating jobs above and beyond what is typically needed to support local needs. This makes a core industry important because it is often a base industry that brings income from outside the region, thus generating additional local jobs throughout other sectors. A core industry can also form the basis for a regional industry cluster, as suppliers and other support service firms locate in the region because of its presence. One should note that a core industry does not necessarily record job growth. Although employment growth is an important variable to look at, regional strategies can be built around an industry of critical local importance, even if recent job trends have not been positive.

Developing Industries are defined as industries whose regional share of jobs is advancing faster than the average for that industry nationally. In other words, these industries locally are outpacing the nation in terms of job growth. A developing industry may represent an emerging sector with potential steady gains in regional importance.

Competitive-Advantage Industries are especially attractive because they rank high in several important variables beneficial to the regional economy and its workforce. They have a high combined rank in wage, employment size, employment growth and competitive employment performance. The importance of competitive-advantage industries is clear; they represent a combination of good economic indicators; are likely to have a local employment performance above what would be expected from national trends, supply some jobs with positive wages, provide a reasonably high number of jobs locally, and may have a good growth trend.

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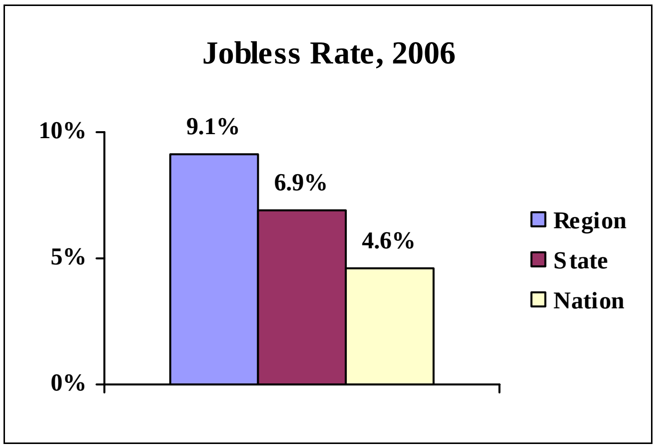
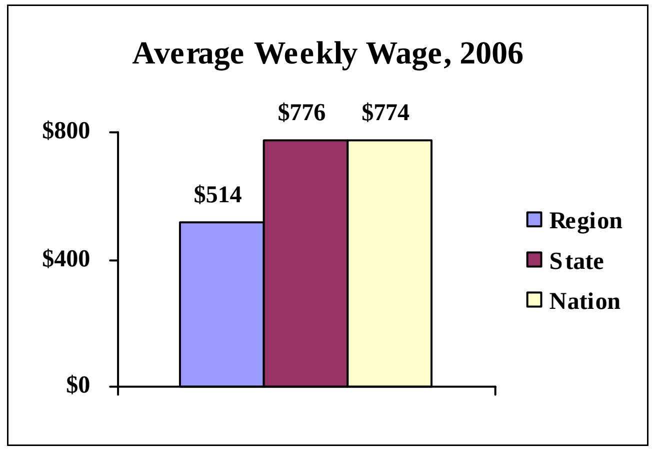
CURRENT LABOR MARKET INDICATORS

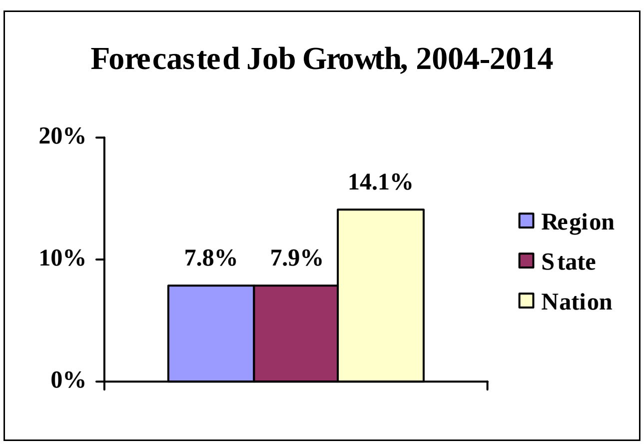
	Change (2004 to 2006)			Jobless Rate (2006)	Weekly Wage (2006)	Per Capita Income (2004)	Forecast Job Growth (2004-2014)
	Population	Labor Force	Industry Jobs				
Region	-0.3%	+1.7%	-1.1%	9.1%	$514	$23,687	+7.8%
State	0.0%	+0.6%	-1.2%	6.9%	$776	$32,079	+7.9%
Nation	+2.0%	+2.7%	+4.0%	4.6%	$774	$33,050	+14.1%



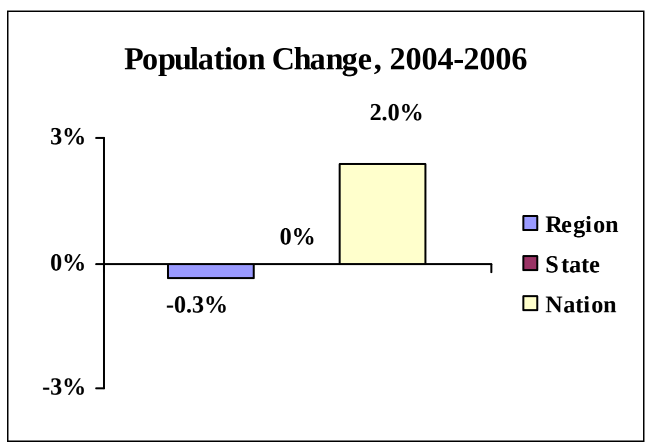
The region's relatively high jobless rate can be partially explained by the very seasonal nature of the regional economy. Joblessness is typically very high between November and April before rates moderate somewhat during the summer and autumn tourism seasons.



Average weekly wages were significantly lower in the region than statewide. This is due – in part – to a high concentration of jobs in tourism-related industries including *Retail* and *Accommodation and Food Services*, representing 20 percent and 13 percent of total jobs respectively.

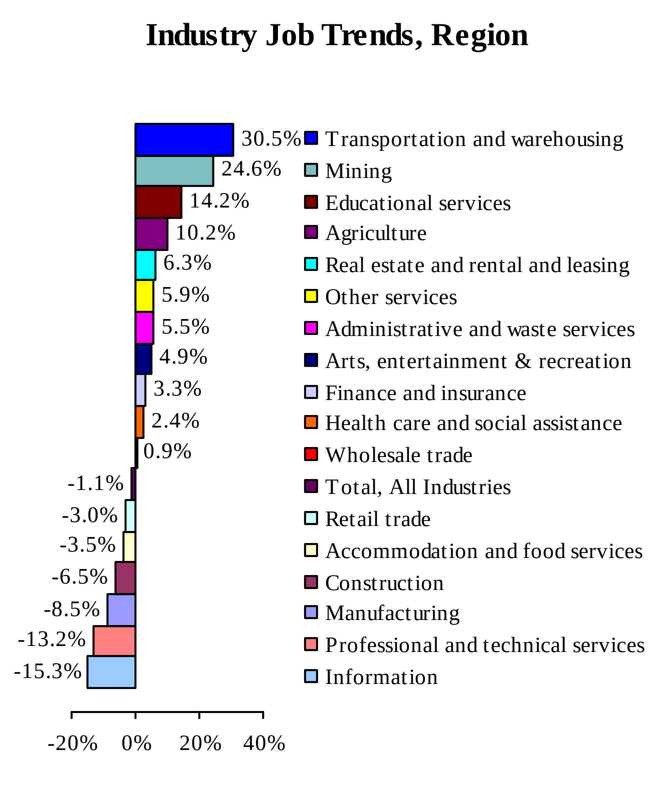


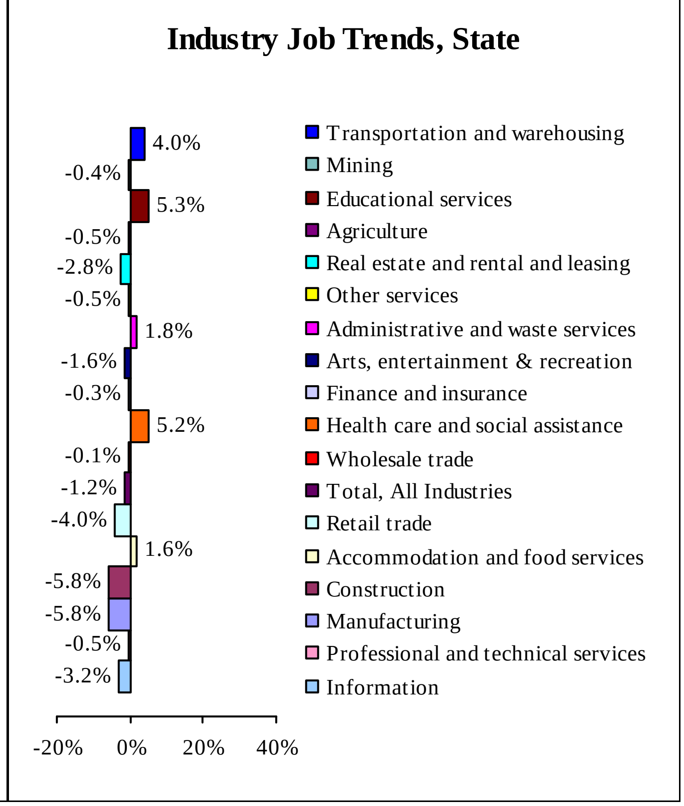
Between 2004 and 2014, job growth is expected in several health and helping industries including *Social Assistance* and Ambulatory *Health Care Services*. *Plastic and Rubber Manufacturing* and *Specialty Trade Contractors* are examples of non-service sector industries also expected to record job growth.



The net change in the region's population was slightly negative after gains from migration were more than offset by a natural population decline as deaths exceeded births. A likely factor contributing to positive migration was the influx of retirement-aged individuals into area counties.

INDUSTRY JOB TRENDS (2004 –2006)





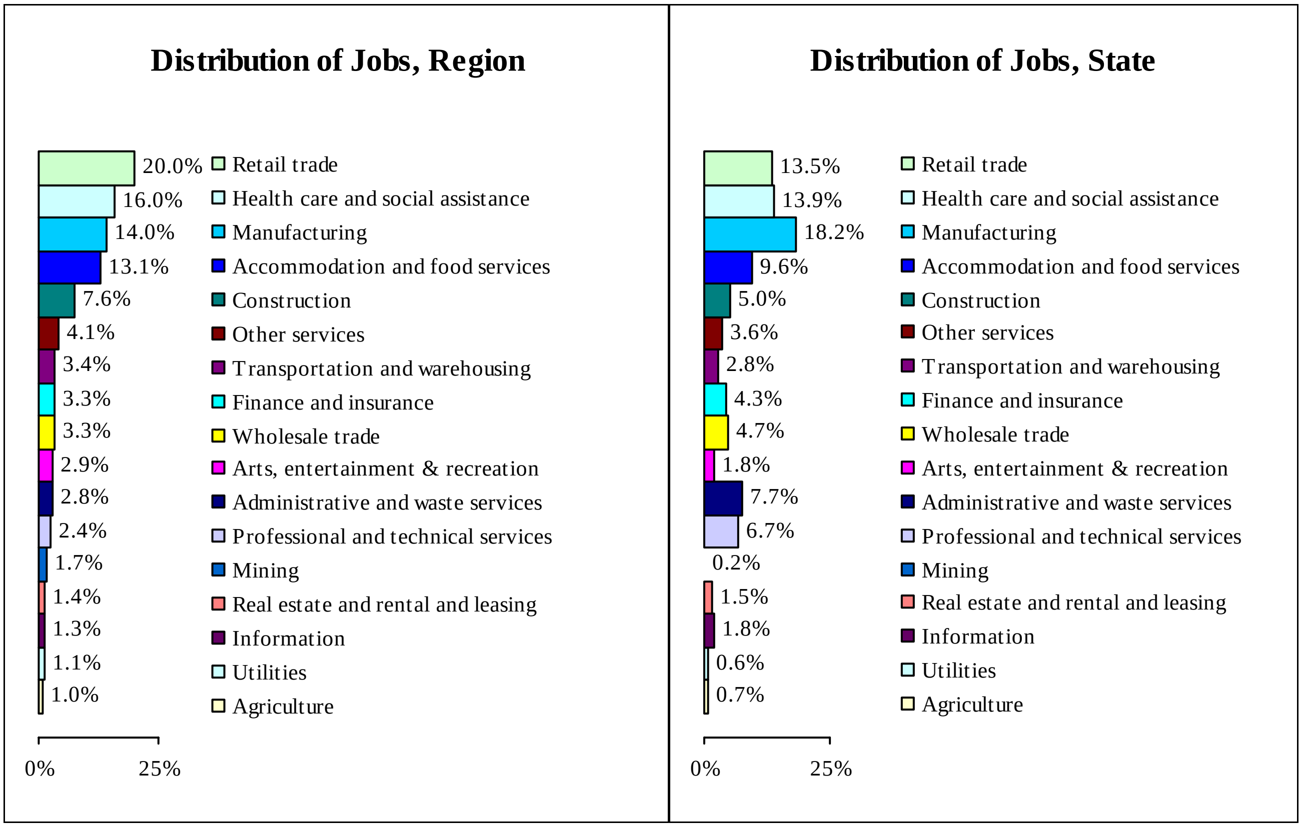
- Between 2004 and 2006, private payroll jobs declined by 400 or 1.1 percent. A large number of jobs were lost in *Manufacturing* (-500 jobs), *Retail Trade* (-250), and *Construction* (-200). Other declines were reported in *Information*, *Professional and Technical Services*, and *Accommodation and Food Services*.

- Over the period, several industries added jobs. Among industries with the largest growth rates were *Transportation and Warehousing*, *Mining*, *Educational Services*, and *Agriculture*. The *Health Care and Social Assistance* sector created 150 new jobs but posted a small growth rate.

- Statewide, job loss was recorded at 42,700 over the period, representing a decline of 1.2 percent, nearly matching the region. The largest declines were recorded in *Manufacturing* and *Construction*.

- Job growth was seen in several industries statewide. Large growth rates were posted in *Educational Services* (+5.3 percent), and *Health Care and Social Assistance* (+5.2 percent). Industries adding a large number of new jobs over the period included *Accommodation and Food Services* (+5,400 jobs), *Administrative and Waste Services* (+4,800), and *Transportation and Warehousing* (+4,000).

Industry Job Distribution (2nd Quarter 2006)



- Seventy-one percent of private employment in the Northeast Michigan Region is concentrated in five industries: R*etail Trade* (20.0 percent), *Health Care and Social Assistance* (16.0 percent), *Manufacturing* (14.0 percent), *Accommodation and Food Service* (13.1 percent), and *Construction* (7.6 percent). This industrial mix is representative of an economy that is heavily reliant on tourism and is facing an increasing need to provide health care services to an aging population.

- While the *Manufacturing* sector comprises a smaller share of total jobs in the Northeast Region than statewide, it still ranks third in total regional employment. Jobs in *Manufacturing* – like those in *Health Care and Social Assistance* – are less susceptible to seasonal influences and provide jobs during the off-peak tourism season.

- Two of the four largest industries in the Northeast Region are *Retail Trade* and *Accommodation & Food Service*. Many jobs in these industries are tourism related and are highly seasonal. Jobs in both of these industries peak in the third quarter as the summer tourism season is in full swing. Conversely, these industries both report job lows during the first quarter, after the end of the holiday shopping and tourism seasons.

PROFILE OF REGIONAL INDUSTRIES

Growth Industries (Regional industries with faster than average employment growth)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Social Assistance	1,268	$349	14.1%	-7.3%
Electronics and Appliance Stores	163	$413	14.0%	24.5%
Credit Intermediation and Related Activities	831	$553	7.5%	0.9%
Fabricated Metal Product Manufacturing	850	$629	6.7%	14.1%
Administrative and Support Services	964	$354	5.6%	14.8%
Building Material & Garden Supply Stores	973	$472	5.4%	8.8%
Machinery Manufacturing	1,750	$837	4.4%	11.0%
Hospitals	1,679	$706	3.8%	1.5%
Truck Transportation	404	$708	3.8%	8.4%
Amusements, Gambling, and Recreation	1,019	$270	2.1%	12.6%

Declining Industries (Regional industries with declining employment)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Wood Product Manufacturing	928	$832	-15.9%	10.6%
Plastics and Rubber Products Manufacturing	377	$669	-15.4%	-3.8%
Professional and Technical Services	873	$653	-13.2%	15.5%
Motor Vehicle and Parts Dealers	845	$613	-11.0%	2.8%
Specialty Trade Contractors	1,332	$574	-9.5%	16.5%
Nursing and Residential Care Facilities	1,414	$407	-7.3%	11.8%
Gasoline Stations	790	$293	-6.5%	3.2%
General Merchandise Stores	1,680	$344	-4.3%	17.2%
Food Services and Drinking Places	3,826	$181	-4.1%	-0.4%
Computer and Electronic Product Manufacturing	P	P	P	P

Core Industries (Region has a higher share of jobs in this industry than nationally)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Water Transportation	187	$878	-3.4%	8.9%
Forestry and Logging	178	$564	0.2%	3.4%
Wood Product Manufacturing	928	$832	-15.9%	10.6%
Mining, Except Oil and Gas	331	$998	12.2%	11.1%
Machinery Manufacturing	1,750	$837	4.4%	11.0%
Gasoline Stations	790	$293	-6.5%	3.2%
Utilities	396	$1,033	2.7%	-0.5%
Building Material and Garden Supply Stores	973	$472	5.4%	8.8%
Amusements, Gambling, and Recreation	1,019	$270	2.1%	12.6%
Construction of Buildings	1,145	$608	-3.0%	14.5%

Developing Industries (Region's share of jobs advancing faster than national average)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Machinery Manufacturing	1,750	$837	4.4%	11.0%
Rental and Leasing Services	217	$398	16.4%	-29.5%
Social Assistance	1,268	$349	14.1%	-7.3%
Sporting Goods, Hobby, Book, and Music Stores	203	$273	16.3%	3.6%
Membership Associations and Organization	733	$323	4.3%	1.1%
Repair and Maintenance	527	$494	7.2%	7.0%
Fabricated Metal Product Manufacturing	850	$629	6.7%	14.1%
Amusement, Gambling, and Recreation	1,019	$270	2.1%	12.6%
Hospitals	1,679	$706	3.8%	1.5%
Paper Manufacturing	P	P	P	P

Competitive-Advantage Industries (Regional industries with a favorable combination of wage, employment change, and competitive employment performance vs. national trends)

Industry	Jobs	Average Weekly Wage	Percent Change 2004-2006	
			Jobs	Weekly Wage
Machinery Manufacturing	1,750	$837	4.4%	11.0%
Mining, Except Oil and Gas	331	$998	12.2%	11.1%
Hospitals	1,679	$706	3.8%	1.5%
Fabricated Metal Product Manufacturing	850	$629	6.7%	14.1%
Credit Intermediation and Related Activities	831	$553	7.5%	0.9%
Social Assistance	1,268	$349	14.1%	-7.3%
Truck Transportation	404	$708	3.8%	8.4%
Merchant Wholesalers, Durable Goods	697	$624	2.8%	1.5%
Ambulatory Health Care Services	1,583	$645	1.9%	-4.4%
Building Material and Garden Supply Stores	973	$472	5.4%	8.8%

- In the Northeast Michigan Region, growth industries encompassed a cross-section of sectors ranging from the helping and health related industries of *Social Assistance* and *Hospitals* to industries like *Truck Transportation* and *Amusement, Gambling and Recreation*.

- Three of the top ten declining industries were manufacturing related and included *Wood Product Manufacturing, Plastic and Rubber Manufacturing,* and *Chemical Manufacturing*. These industries saw jobs decline at many area employers between 2004 and 2006.

- Three retail industries are among the region's largest declining industries including *General Merchandise Stores, Gasoline Stations*, and *Motor Vehicle and Parts Dealers*. These industries combined to lose about 250 jobs over the period.

- Northeast Michigan boasts a diverse set of core industries. Several industries are directly – or indirectly – related to the region's plentiful natural resources including *Water Transportation, Forestry and Logging*, and *Mining*.

- A tourism related industry – *Amusement, Gambling, and Recreation* – is also a notable core industry. While only a small number of new jobs were created in this industry, workers saw a large increase in their average weekly wage over this period.

- The average weekly wage in the region's developing industries was measured at $550, slightly above the regional average for all industries. The highest paying industries were two manufacturing-related industries and *Hospitals*. A slightly higher than average wage was reported in *Repair and Maintenance*. Below average wages were seen in the retail and service related industries.

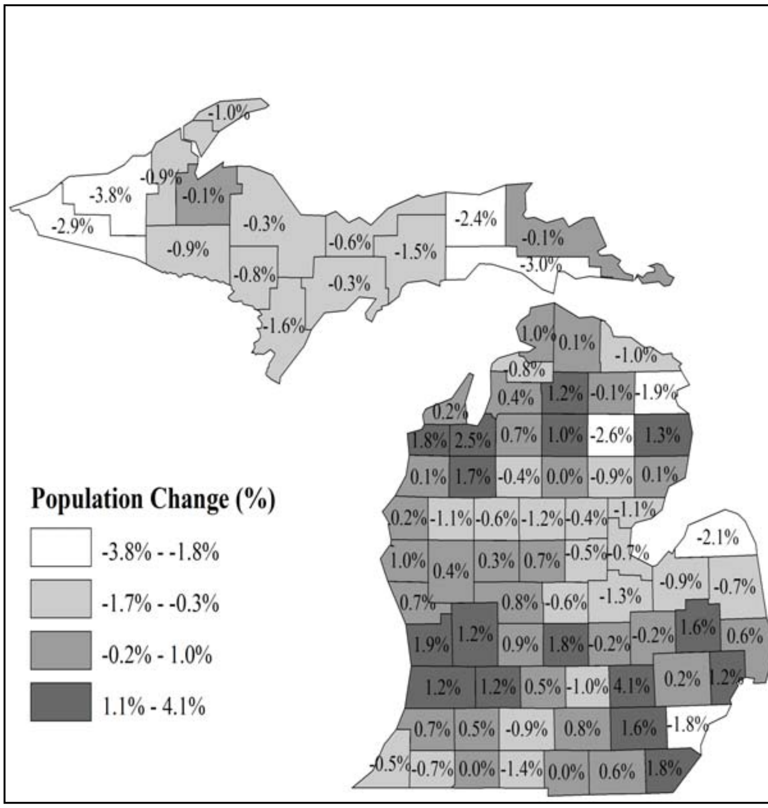
- Competitive-advantage industries include helping and health care industries, manufacturing industries, as well as transportation and trade related industries. The region's retail and leisure and hospitality sectors – many of which experienced job growth – are not well represented among competitive-advantage industries, primarily due to a low average weekly wage.

- Three health and helping related industries appear on the region's competitive-advantage list. These sectors are especially vital to the Northeast as the region continues to draw retirement-age individuals to the region; many of whom currently are or will be demanding the services provided by these industries.

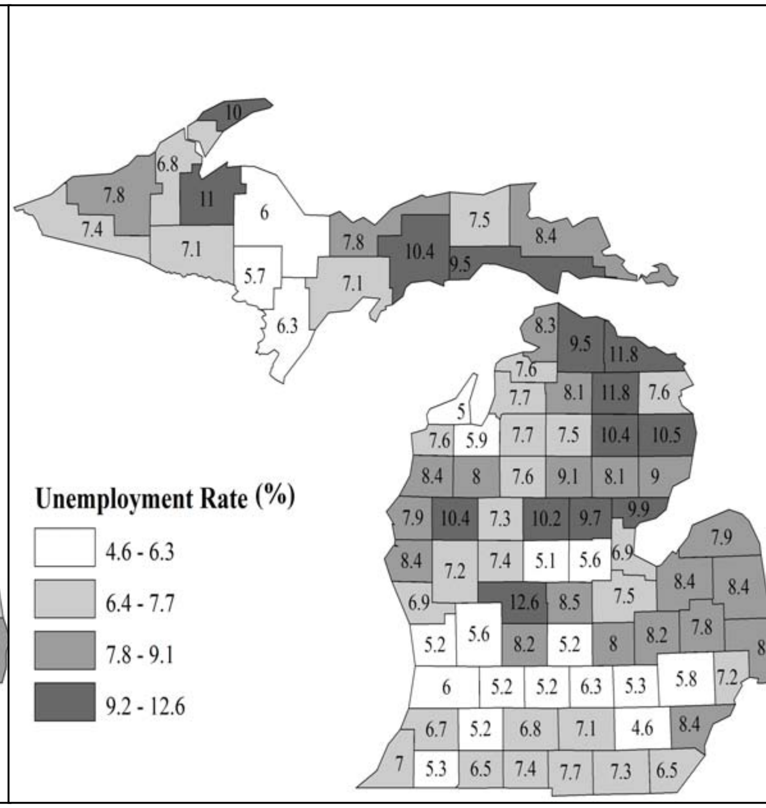
- The Northeast enjoys a strong competitive advantage in both *Machinery Manufacturing* and *Mining*. Just over six percent of the region's total jobs are concentrated in these two detailed sectors. Employers in these sectors predominantly reflect those specializing in limestone mining as well as metalworking, industrial and other general-purpose machinery manufacturing.

APPENDIX I: MAPPING ECONOMIC TRENDS

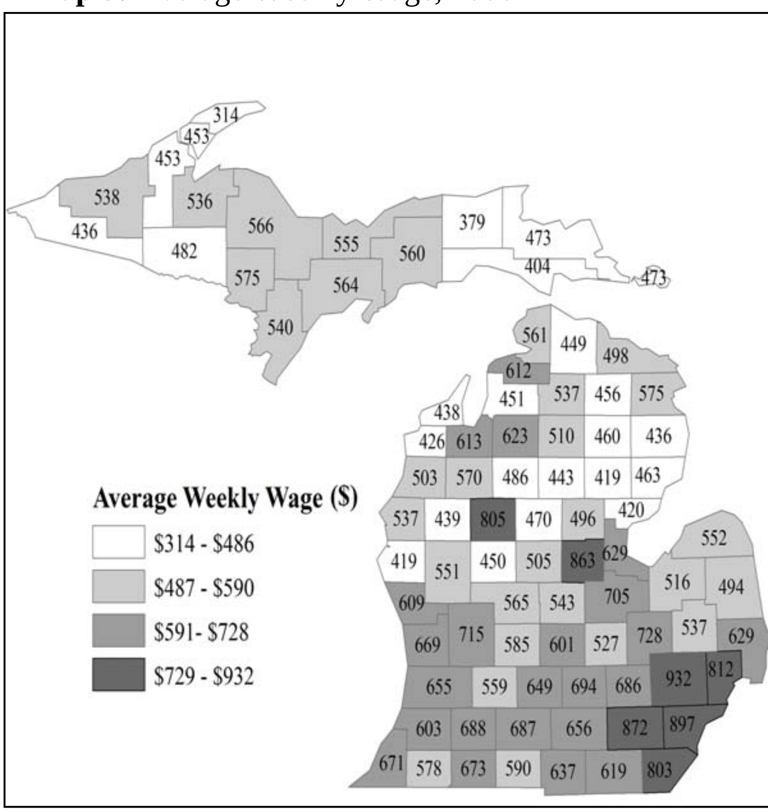
Map 1: Change in Population, 2004-2006



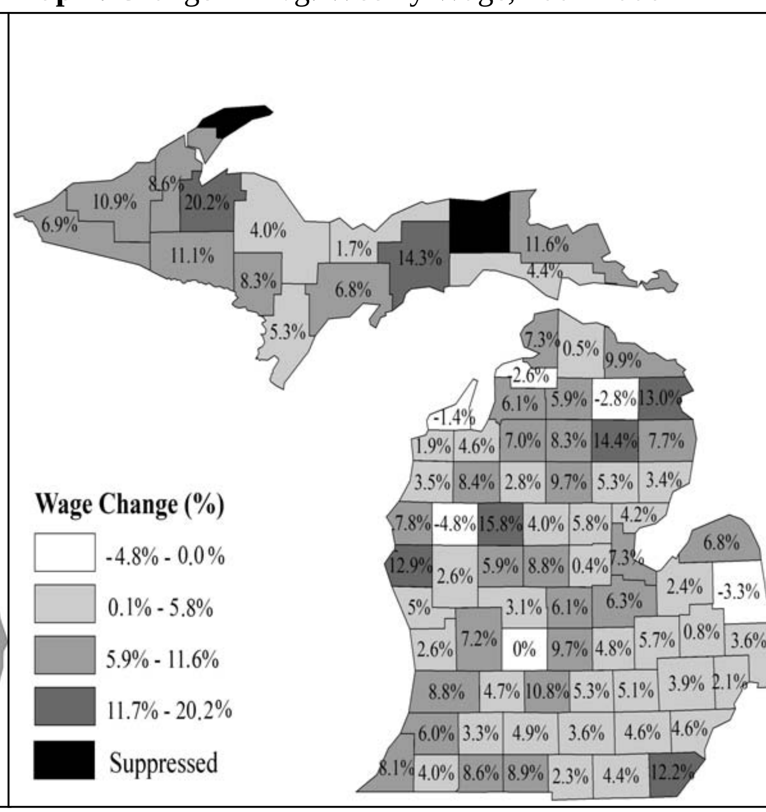
Map 2: Unemployment Rate, Average 2006



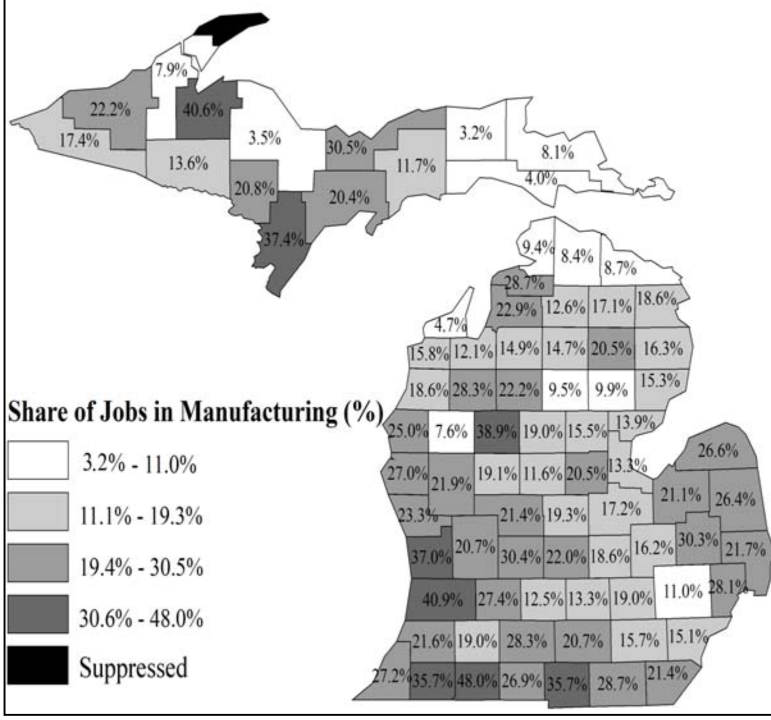
Map 3: Average Weekly Wage, 2006



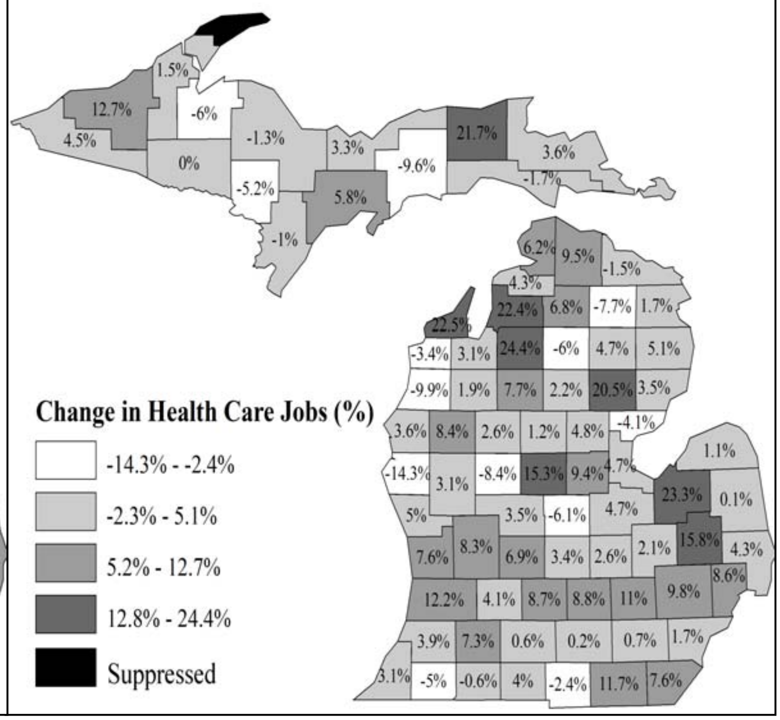
Map 4: Change in Avg. Weekly Wage, 2004-2006



Map 5: Percentage of Total Private Jobs in the Manufacturing Sector, 2006



Map 6: Change in Private Health Care & Social Assistance Sector Jobs, 2004 to 2006



Map Created by:

Michigan Department of Labor & Economic Growth

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